

OPEN MEETING ITEM



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COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ORIGINAL



ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUN 27 2005

DATE: June 27, 2005

DOCKET NO: E-04100A-04-0527 and E-01773A-04-0528

DOCKETED BY

KJ

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Jane Rodda. The recommendation has been filed in the form of an Opinion and Order on:

**SOUTHWEST TRANSMISSION COOPERATIVE, INC. and
ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

JULY 6, 2005

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JULY 12 and 13, 2005

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For more information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

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AZ CORP COMMISSION
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Brian C. McNeil
BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF
9 SOUTHWEST TRANSMISSION COOPERATIVE,
10 INC, FOR A RATE INCREASE.

DOCKET NO. E-04100A-04-0527

11 IN THE MATTER OF THE APPLICATION OF
12 ARIZONA ELECTRIC POWER COOPERATIVE,
13 INC. FOR A RATE INCREASE.

E-01773A-04-0528

DECISION NO. _____

14 **OPINION AND ORDER**

15 DATE OF HEARING:

April 14, 2005

16 PLACE OF HEARING:

Tucson, Arizona

17 ADMINISTRATIVE LAW JUDGE:

Jane L. Rodda

18 APPEARANCES:

Michael M. Grant, Gallagher & Kennedy,
PA, on behalf of Southwest Transmission
Cooperative, Inc.;

Michael A. Curtis, Curtis, Goodwin,
Sullivan, Udall & Schwab, PLC, on
behalf of Mohave Electric Cooperative,
Inc.;

Christopher Hitchcock, Law Offices of
Christopher Hitchcock, for Sulphur
Springs Valley Electric Cooperative;

John Leonetti, in propera persona; and

Timothy Sabo and Diane Targovnik,
Commission Legal Division for the
Utilities Division.

23 **BY THE COMMISSION:**

24 * * * * *

25 Having considered the entire record herein and being fully advised in the premises, the
26 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

27 **FINDINGS OF FACT**

1 1. On July 23, 2004, Southwest Transmission Cooperative, Inc. ("SWTC" or
2 "Cooperative") filed an Application for General Rate Increase.¹

3 2. SWTC is a non-profit, transmission cooperative that commenced operations on August
4 1, 2001, following Commission approval of AEPCO's restructuring in Decision No. 63868. SWTC
5 primarily provides wholesale transmission services to AEPCO on behalf of its five all-requirements
6 Class A member distribution cooperatives and to Mohave Electric Cooperative, Inc., a partial
7 requirements member. The six Class A members of AEPCO are also Class A members of SWTC.
8 The Class A members are Anza Electric Cooperative, Inc. ("Anza"), located entirely in California;
9 Duncan Valley Electric Cooperative, Inc. ("DVEC"), located partially in New Mexico; Graham
10 County Electric Cooperative, Inc. ("GCEC"); Sulphur Springs Valley Electric Cooperative, Inc.
11 ("Sulphur Springs"); Trico Electric Cooperative, Inc. ("Trico"); and Mohave Electric Cooperative,
12 Inc. ("Mohave").

13 3. SWTC is a borrower from the Rural Utilities Service ("RUS"), a division of the
14 United States Department of Agriculture. As an RUS borrower, SWTC is subject to regulation by
15 virtue of its mortgage and pursuant to federal regulations. As a transmitting utility under Section 211
16 of the Federal Power Act, SWTC is subject to certain jurisdiction of the Federal Energy Regulatory
17 Commission ("FERC").

18 4. On August 27, 2004, Commission Utilities Division Staff ("Staff") notified SWTC
19 that its Application met the sufficiency requirements of A.A.C. R14-2-103. Staff classified SWTC a
20 Class A utility.

21 5. Counsel for SWTC and Staff requested a Procedural Conference prior to the Hearing
22 Division issuing its Procedural Order setting the matter for hearing. Pursuant to Procedural Order
23 dated September 3, 2004, a Procedural Conference was held on September 9, 2004. SWTC requested
24 an expedited schedule for filing testimony and conducting the hearing based on the Commission's
25 prior indication that it would be flexible when considering rate applications from cooperatives, and
26 upon the allegation that SWTC and AEPCO were losing money and would be in technical default of

27 _____
28 ¹ On the same date, its affiliate, Arizona Electric Power Cooperative, Inc. ("AEPCO") filed a rate application (Docket No. E-01773A-04-0528).

1 financial ratios set by its lenders. Staff opposed the expedited schedule because the issues in this case
2 are potentially complex and Staff wanted to be sure that all issues received adequate analysis. Staff
3 claimed it needed the full 180 days allowed under Commission Rules for Staff to file testimony in a
4 Class A utility rate case. In addition, Staff requested that the AEPCO and SWTC rate applications
5 be consolidated on the grounds that they are affiliates and there will be issues and witnesses in
6 common which favor consolidation. Staff feared that if the records were not consolidated, one or the
7 other might be incomplete. SWTC and AEPCO opposed consolidation, believing that it might lead to
8 confusion.

9 6. By Procedural Order dated September 15, 2004, the Commission denied the request
10 for an expedited schedule. The applications are the first rate cases for AEPCO and SWTC since the
11 restructuring, and the Commission found that the need for a thorough analysis outweighed the request
12 for expedited treatment. In addition, because the applications involve affiliates and their rate cases
13 will involve several inter-related issues, the Commission consolidated the matters for hearing.

14 7. The September 15, 2004, Procedural Order established deadlines for filing testimony
15 and set the consolidated hearing to commence April 14, 2005, at the Commission's offices in Tucson,
16 Arizona.

17 8. On January 11, 2005, SWTC and AEPCO filed a Notice of Filing that indicated they
18 had mailed notice of the hearing to their members and customers and had caused the notice of the
19 hearing to be published in newspapers and in the newsletters of their member distribution
20 cooperatives, as required by September 15, 2004, Procedural Order.

21 9. Intervention was granted to Mohave on November 2, 2004; to Sulphur Springs on
22 January 25, 2005; and to John T. Leonetti, a resident in Trico Electric Cooperative, Inc.'s service
23 territory, on March 10, 2005.

24 10. With its Application, SWTC filed the direct testimony of Dirk Minson, AEPCO's
25 Chief Financial Officer; Gary Pierson, Manager of Financial Services for Sierra Southwest
26 Cooperative Services, Inc. ("Sierra Southwest") and who provides treasury, cash management, risk
27 management and rate design/implementation functions for SWTC; and William Edwards, an
28 economist and Vice President of Regulatory Affairs for the National Rural Utilities Cooperative

1 Finance Corporation ("CFC"). Pursuant to the September 15, 2004 Procedural Order, Staff filed the
2 direct testimony of Crystal Brown, Alejandro Ramirez, Erin Casper and Jerry Smith on February 23,
3 2005. On March 16, 2005, AEPCO filed the rebuttal testimony of Messrs. Minson and Pierson. On
4 April 4, 2005, Staff filed the surrebuttal testimony of Ms. Brown, Ms. Casper and Mr. Ramirez.

5 11. The hearing convened as scheduled on April 14, 2005, before a duly authorized
6 Administrative Law Judge.

7 12. SWTC, Staff, Mohave and Mr. Leonetti filed Closing Briefs.

8 13. In the course of this consolidated proceeding the Commission received at least 23
9 letters and phone calls from customers of the distribution cooperatives in opposition to the proposed
10 increase.

11 14. According to SWTC, two main reasons are driving SWTC's request for rate relief.
12 The first is necessary maintenance and upgrades of the transmission system—chief among these
13 being the Winchester Interconnect Project that was placed into service in May 2004. Winchester was
14 completed to enhance system reliability and provide for improved performance of the entire
15 transmission system. It had a significant impact on SWTC's debt and total transmission plant, as its
16 cost of \$15.7 million is about 20 percent of the Cooperative's total depreciated transmission plant.
17 The major reason behind the application is Morenci Water & Electric Company's ("MW&E") bypass
18 of the SWTC transmission system. In the fall of 2004, MW&E, a wholly-owned subsidiary of the
19 Phelps Dodge Corporation, completed facilities allowing it to directly interconnect to the Tucson
20 Electric Power Company transmission system. MW&E stopped taking non-firm transmission service
21 from SWTC on November 1, 2004, and has cancelled its firm transmission service agreement
22 effective December 31, 2005. Those events represent a more than \$5 million loss in transmission
23 revenues—approximately 20 percent of SWTC's adjusted Test Year operating revenues.

24 15. In the test year ended December 31, 2003 ("Test Year"), SWTC had Adjusted
25 Revenue of \$25,148,196, which produced an Adjusted Operating Margin of \$2,480,064 a 3.2 percent
26 rate of return on an adjusted Original Cost Rate Base ("OCRB") of \$76,345,655.

27 16. Because the effect of the post- Test Year loss of the MW&E firm power contract is
28 known and measurable, SWTC proposed that the Commission authorize a procedure to allow SWTC

1 to adjust its rates in January 2006, to account for the loss of that revenue without having to file
2 another rate case. Additional revenues of \$2,294,640 would be required to make up for the loss of
3 the MW&E contract. Adjusting Test Year revenues for the known and measurable loss of the
4 MW&E contract, reduces total revenues to \$22,853,736 and Operating Income to \$185,604.

5 17. The Cooperative sought a total revenue requirement of \$29,500,476, an increase of
6 \$6,646,740 to produce an Operating Margin of \$6,932,344, an 8.95 percent rate of return on adjusted
7 OCRB, a Times Interest Earned Ratio ("TIER") of 1.17 and Debt Service Coverage ("DSC") of 1.02.

8 18. SWTC proposed, and Staff agreed to, a four step phase in of the increase over two
9 years. The first phase would become effective immediately and implement an increase of
10 \$3,666,668, or 14.58 percent; the second phase would become effective on January 1, 2006 and
11 implement an additional increase of \$2,294,460, or 9.1 percent to account for the loss of the MW&E
12 contract; Phase Three would become effective on August 1, 2006 and implement an increase of
13 \$342,806, or 1.5 percent; and Phase Four would be effective on August 1, 2007 and implement an
14 additional increase of \$342,806, or 1.5 percent. SWTC proposed Phases Three and Four to address
15 Staff's concerns expressed in its rebuttal testimony, that the proposed Second Phase increase on
16 January 1, 2006 would not be adequate to allow SWTC to service its current outstanding debt,
17 finance future capital projects and improve its equity position.

18 19. Staff and SWTC agreed on the revenue requirement, rate design and rate base.

19 20. The first phase of the increase would produce annual operating revenue of
20 \$28,814,864 would go into effect upon the Commission approval of this Order, and would produce
21 an operating TIER of 1.16, DSC of 1.02, and an 8.05 percent return on OCRB.

22 21. The second phase would become effective as of January 1, 2006, would increase rates
23 an additional \$2,294,460 to account for the loss of the MW&E contract, thereby maintaining the
24 same total annual revenues of \$28,814,864, TIER of 1.16, DSC of 1.02, and 8.05 percent rate of
25 return on OCRB.

26 22. The third phase, effective August 1, 2006, would increase revenues an additional
27 \$342,806, or 1.5 percent, resulting in total annual revenues of \$29,157,670, a TIER of 1.22, DSC of
28 1.04 and a rate of return of 8.5 percent on OCRB.

1 23. The fourth phase, effective August 1, 2007, would increase revenues an additional
2 \$342,806, resulting in total annual revenues of \$29,500,476, a TIER of 1.29, DSC of 1.07 and an 8.95
3 percent rate of return on OCRB.

4 24. SWTC estimates that Phase One of the proposed increase would increase the average
5 residential consumer's monthly bill by about \$1.45. Phase Two would increase the average
6 residential consumer's monthly bill an additional \$0.90, and the combined effect of the 1.5 percent
7 increases in 2006 and 2007 would increase the average monthly bill by 22 cents over the next two
8 years.

9 25. A schedule of the proposed rates and charges is attached hereto as Exhibit A.

10 26. Mohave recommends that the Commission approve the first phase of the proposed
11 SWTC increase to become effective immediately, but that it conditionally authorize the prospective
12 phase 2, 3 and 4 increases only if SWTC submits relevant financial information to the Commission
13 and SWTC's members demonstrating that the increases are necessary to permit SWTC to meet its
14 financial obligations.

15 27. Mr. Leonetti believes that neither AEPCO nor SWTC demonstrated that the proposed
16 rates are fair and reasonable with respect to the effect on end user consumers.

17 28. We concur with Staff and SWTC that a total revenue requirement of \$29,500,476,
18 phased in over two years, in four phases as proposed, is fair and reasonable. The evidence supports a
19 finding that the approved revenues are necessary for SWTC to meet its financial obligations and
20 improve its equity position.

21 29. Staff and SWTC agree that an adjusted original cost rate base of \$76,345,655 is fair
22 and reasonable. No party disputed Staff's adjustments to rate base and Staff's adjustment appear
23 reasonable. SWTC waived a reconstruction cost new rate base and thus, its original cost rate base is
24 the equivalent of its fair value rate base.

25 30. Staff and SWTC were in agreement on all issues of revenue requirement, rate base,
26 and rate matters. The two issues Staff and SWTC disagree on are Staff's recommendation that the
27 Commission establish an equity target for SWTC of 30 percent of total capitalization and that in
28 future rate cases SWTC prepare a cost of service study for Anza.

1 31. SWTC's equity was 4.7 percent of its total capitalization at the end of the Test Year.
2 SWTC's equity subsequently dropped to about 3 percent. (TR at 139-40)

3 32. Staff recommends that SWTC file a capital improvement plan by March 31, 2006.
4 Staff further recommends that the Commission set an equity goal for SWTC of 30 percent. Staff
5 based its recommended goal on (1) the goals set in prior orders concerning AEPCO (Decision No.
6 64227); (2) SWTC's need to achieve greater financial flexibility; and (3) an article by Fitch Ratings
7 which states that an equity-to-capitalization ratio between 25 to 30 percent is adequate for a
8 generation and transmission cooperative. (Ex S-12 at 6) Staff notes that in Decision No. 67748
9 (April 11, 2005), the Commission recently approved the same 30 percent equity goal for Graham
10 County Utilities.² Staff believes the 30 percent equity goal would be consistent with RUS regulations
11 which limit patronage refunds until 30 percent equity is achieved.

12 33. Staff further recommends that the Commission limit SWTC from making patronage
13 refunds. Specifically, Staff recommends that SWTC should not be permitted to make any patronage
14 refunds while its equity level remains below 20 percent of total capitalization. If SWTC's equity
15 level is between 20 percent and 30 percent, Staff recommends that patronage refunds be limited to 25
16 percent of net earnings, which Staff states parallels the RUS regulations.

17 34. Staff also recommends that to ensure SWTC makes progress in building equity, that it
18 should be required to file a rate case no later than 3 to 5 years from the date of this Decision.

19 35. In Decision No. 64227 (November 29, 2001) the Commission approved a financing
20 request and required SWTC to file a capital plan by December 31, 2003. In that docket, Staff
21 recommended that SWTC increase its equity to 10 percent by December 31, 2006, to 15 percent by
22 December 31, 2010, and to 30 percent by December 31, 2015.

23 36. SWTC filed its Capital Plan as required under Decision No. 64227, on December 23,
24 2002, and provided a copy as a late-filed exhibit in this docket. The 2002 plan indicated that based
25 on the assumptions in place at the time, projected equity levels would reach 13 percent in 2006, 26
26 percent in 2010 and approach 30 percent in 2011. The plan did not factor in the large revenue loss

27 _____
28 ² Graham County Utilities, Inc., ("GCU") is a cooperative owned by Graham County Electric Cooperative, Inc. to provide
natural gas and water service. Graham County Electric Cooperative is the Class A member of AEPCO.

1 from the MW&E bypass.

2 37. SWTC does not oppose filing an equity improvement plan or the requirement that it
3 file a rate case not later than five years. SWTC opposes, however, the concept that 30 percent equity
4 is an appropriate goal for the Commission to adopt. SWTC cites evidence that the average and
5 median equity levels for generation and transmission cooperatives nationwide is much lower.
6 SWTC also argues that there are many factors, besides equity, which impact the financial strength of
7 SWTC. According to SWTC, Fitch Ratings looked at some 12 different factors in assigning a rating
8 to Golden Spread Electric Cooperative (the subject of the article cited by Staff) including the strength
9 of its requirements contracts, management quality, adequate liquidity, overall financial profile, DSC
10 and TIER, as well as equity. SWTC argues that neither it nor the Commission wants to be in the
11 difficult position where unnecessarily high rate increases are driven by an equity target that is
12 inflexible and arbitrarily set.

13 38. Mohave argues that SWTC's equity improvement analysis should include an analysis
14 of the benefits, if any, that partial requirement members and full requirement members, obtain by
15 improving the equity position of SWTC, as well as methods other than rate increases for improving
16 equity and a consideration of possible methods to permit future borrowings to meet load growth of
17 the all requirements members to be based on the equity of those all requirements members.

18 39. The evidence presented in this proceeding indicates that SWTC must improve its
19 equity position. It is currently not in compliance with its lender's equity requirements. The evidence
20 is inconclusive, however, to make a finding at this time that a 30 percent capital requirement is an
21 appropriate goal for a transmission cooperative such as SWTC. Mr. Edwards testified that the
22 median equity ratio for a generation and transmission cooperative is 13.22 percent in 2002, the most
23 recent available year of data. Furthermore, the RUS and CFC do not discriminate on the price of
24 loans based on equity levels. (TR at 63). There is some evidence that adopting and enforcing an
25 equity goal of 30 percent may place undue upward pressure on rates and that a 30 percent equity level
26 is not required to protect AEPCO's ability to access the financial markets. On the other hand, just
27 because national averages for generation and transmission cooperatives are below 20 percent, does
28 not mean that we should not strive for equity greater than that to give the cooperative a cushion to

1 weather economic setbacks. AEPCO did not present sufficient evidence to allow us to determine that
2 a specific goal less than 30 percent is reasonable. In his rebuttal testimony, Mr. Minson testified
3 that the revenues that the Cooperative was recommending at that time (somewhat less than their final
4 position) would allow SWTC to approach 15 percent equity in about ten years. (Ex SWTC-2 at 3).
5 We believe that SWTC should update its December 2002 Capital Improvement Plan, with updated
6 assumptions and provide an analysis of the rates that would be required to achieve an equity level of
7 30 percent, within ten years, or 2015. We do not adopt a requirement now, or do we read Decision
8 No. 64227 as requiring, that SWTC achieve any specific equity goal. We do adopt the rates herein
9 with the expectation that SWTC will be able to build much needed equity. Because we are requiring
10 SWTC to file another rate case in no more than five years, in any case, adopting an ultimate goal of
11 30 percent at this time is not necessary. We concur with Mohave that the equity improvement plan
12 should also address an analysis of the effect of the equity improvement on partial and well as full
13 requirements members. Our decision not to accept a 30 percent equity goal at this time should not be
14 interpreted as a finding on any particular ultimate equity requirement.

15 40. Neither SWTC nor AEPCO filed jurisdictionally separated information for Anza in
16 this rate case, nor has AEPCO ever filed such information in any prior rate case.

17 41. Staff recommends that in its next rate case, SWTC prepare jurisdictionally separated
18 schedules for Anza.

19 42. Commission rule R14-2-103(B)(4) provides in relevant part:

20 Separation of nonjurisdictional properties, revenues and expenses
21 associated with the rendition of utility service not subject to the
22 jurisdiction of the Commission must be identified and properly separated
in a recognized manner when appropriate. In addition, all nonutility
properties, revenues and expenses shall likewise be segregated.

23 43. Staff argues that jurisdictional separation is an important tool that Staff uses to ensure
24 that rates are fair and cost-based. Staff states that Duncan Valley Electric Cooperative Inc., Garkane
25 Power Association, Inc. and Columbus Electric Cooperative, all cooperatives within the
26 Commission's jurisdiction with multi-state operations, file jurisdictionally separated information.
27 Staff does not believe arguments that a separation study would be too costly in comparison with the
28 expected benefits to justify a waiver of the requirement. Staff also asserts that once the first study is

1 prepared, future separations will be substantially easier.

2 44. SWTC and AEPCO opposed the recommendation to jurisdictionally separate
3 operations associated with Anza. According to the applicants, Anza's load represents only 1.5
4 percent of AEPCO's total energy sales in 2003. AEPCO estimates the cost of a separation study
5 would be \$40,000 to \$60,000 and the cost of service differences for Anza, if any, would not justify
6 the expense or the effort to evaluate its findings. Under these circumstances, the applicants argue that
7 to prepare such study would be an "undue burden," which is one of the grounds for waiver under
8 A.A.C. R14-2-103.B.6.

9 45. We find that it is premature for the Commission to determine if a waiver of the
10 requirement to file a jurisdictional separation study for Anza should be granted in connection with
11 SWTC's next rate case. We believe that SWTC should have the opportunity to request such waiver
12 prior to or in its next rate filing, but we cannot pre-judge whether the circumstances present today
13 concerning Anza's load will be present in the future.

14 CONCLUSIONS OF LAW

15 1. SWTC is a public service corporation pursuant to Article XV of the Arizona
16 Constitution and A.R.S. §§ 40-282 and 40-285.

17 2. The Commission has jurisdiction over SWTC and the subject matter of the
18 application.

19 3. Notice of the proceeding was provided in conformance with law.

20 4. The stipulated rates and charges as set forth in and approved herein, and attached as
21 Exhibit A, are reasonable.

22 5. The recommendations set forth in the Findings of Fact discussed hereinabove are
23 reasonable and should be adopted in accordance with the discussion therein.

24 ORDER

25 IT IS THEREFORE ORDERED that the rates and charges set forth in Exhibit A are approved
26 and Southwest Transmission Cooperative, Inc. shall file on or before July 29, 2005, a tariff that
27 complies with the rates and charges approved herein.

28 IT IS FURTHER ORDERED that the rates and charges for Phase One shall be effective for

1 all service provided on and after August 1, 2005; the Phase Two rates shall be effective January 1,
2 2006; Phase Three rates shall be effective August 1, 2006, and Phase Four shall be effective August
3 1, 2007.

4 IT IS FURTHER ORDERED that within 15 days of the effective date of this Order,
5 Southwest Transmission Cooperative, Inc. shall notify its member/customers of the rates and the
6 effective dates approved herein.

7 IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall file a rate
8 case no later than five years after the effective date of this Decision.

9 IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall file by
10 March 31, 2006, an equity improvement plan that conforms with the discussion herein.

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1 IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall not make
2 any patronage refunds while its equity level remains below 20 percent of total capitalization, and
3 patronage refunds shall be limited to 25 percent of net earnings if its equity is between 20 and 30
4 percent of its capitalization.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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8

9 CHAIRMAN

COMMISSIONER

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13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
15 Secretary of the Arizona Corporation Commission, have
16 hereunto set my hand and caused the official seal of the
17 Commission to be affixed at the Capitol, in the City of Phoenix,
18 this ____ day of _____, 2005.

19 BRIAN C. McNEIL
EXECUTIVE SECRETARY

20 DISSENT _____
21
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23 DISSENT _____
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JR:mj
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1 SERVICE LIST FOR:

SOUTHWEST TRANSMISSION COOPERATIVE,
INC. and ARIZONA ELECTRIC POWER
COOPERATIVE, INC.

3 DOCKET NO.:

E-04100A-04-0527 AND E-01773A-04-0527

4
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EXHIBIT A

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	<u>Effective Dates</u>			
	<u>August 1, 2005</u>	<u>January 1, 2006</u>	<u>August 1, 2006</u>	<u>August 1, 2007</u>
Network Transmission Service:				
Transmission Rate - \$/month	\$1,420,722	1,566,081	1,587,088	1,608,258
Ancillary Services:				
Schedule 1: System Control and Load Dispatch \$/kW Mon.	0.289	0.289	0.289	0.289
Schedule 2: Cost of Reactive Power (VAR) Production - \$/Kw Mon.	0.095	0.107	0.133	0.120
Schedule 3: Regulation and Frequency Response - \$/kw Mon.	0.453	0.453	0.463	0.472
Schedule 4: Energy Imbalance - \$/MWh	20.40	20.40	20.40	20.40
Schedule 5: Operating Reserves - Spinning - \$/kW Mon	0.685	0.685	0.699	0.713
Schedule 6: Operating Reserves - Supplemental - \$/kW Mon.	0.442	0.442	0.451	0.461
Point to Point:				
Firm Point-to-Point Rate - \$/kW Month	3.022	3.334	33.79	3.423
Non-Firm Point-to-Point Rate - \$/kW Month	3.022	3.334	3.379	3.423
Point-to-Point Rate (MWE 60 MW Firm) - \$/kW Month	3.004	-	-	-
Point-to-Point Rate (City of Thatcher Firm) - \$kW Mon.	2.605	2.878	2.923	2.968
Ancillary Services:				
Schedule 1: System Control and Load Dispatch - \$/kW Mon.	0.289	0.289	.0289	0.289
Schedule 2: Cost of Reactive Power (CAR) Production - \$/kW Mon.	0.076	0.083	0.089	0.094
Schedule 3: Regulation and Frequency Response - \$/kW Mon.	0.453	0.453	0.463	0.472
Schedule 4: Energy Imbalance - \$/kW Mon.	20.40	20.40	20.40	20.40
Schedule 5: Operating Reserves - Spinning - \$/kW Mon	0.685	0.685	0.699	0.713
Schedule 6: Operating Reserves - Supplemental - \$/kW Mon.	0.442	0.442	0.451	0.461